

Message Text

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SUBJECT: PA/TWA MEETING

FOR JOHN MEADOWS FROM RAYMOND WALDMANN

1. TODAY, PETER FLANIGAN AND SECRETARY BRINEGAR, AS WELL AS OMB, JUSTICE AND STATE REPRESENTATIVES, MET WITH SEAWELL OF PAN AM AND TILLINGHAST OF TWA. THE SUBJECT OF THE MEETING WAS THE FINANCIAL SITUATION OF THE TWO CARRIERS AND SPECIFIC ACTIONS THE GOVERNMENT COULD TAKE IN LIEU OF AN OPERATING SUBSIDY. THIS FOLLOWED A MEETING YESTERDAY OF GOVERNMENT REPRESENTATIVES AND THE CAB TO DISCUSS THE APRIL 18 DOT OPTIONS PAPER. ON THE BASIS OF THE GOVERNMENT DISCUSSIONS YESTERDAY THE FOLLOWING CONCLUSIONS WERE REACHED: 1) ALL AGENCIES WOULD PREFER NOT TO SUBSIDIZE PA/TWA; 2) ANY LONG-RUN SOLUTION MUST INCLUDE A REVIEW OF THE BASIC REGULATORY STRUCTURE; 3) THE AIRLINES WILL FACE SERIOUS FINANCIAL PROBLEMS IN 1975; 4) CAB IS NOT CONVINCED THAT THE TIMING OR PROJECTED IMPACT OF THE ALTERNATIVES PROPOSED BY DOT JUSTIFY REJECTING A LIMITED SUBSIDY; 5) THE OTHER AGENCIES BELIEVE IT WOULD BE POSSIBLE TO IMPROVE THE FINANCIAL SITUATION BY THE END OF

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1974 AND THAT GOVERNMENT SHOULD ALSO EXAMINE BROADER LONG-

RANGE MEASURES TO CREATE A VIABLE ENVIRONMENT FOR OUR INTERNATIONAL CARRIERS SUCH AS NORTH ATLANTIC ROUTE AND FARE STRUCTURE CHANGES AND GENERAL REGULATORY IMPROVEMENTS.

2. AT THE MEETING TODAY THE CARRIERS WERE TOLD THAT THE ADMINISTRATION DOES NOT SUPPORT THEIR REQUEST FOR A SUBSIDY BUT DOES SUPPORT MOVING PROMPTLY ON A SERIES OF OTHER MEASURES TO IMPROVE THEIR LONG-RUN FINANCIAL VIABILITY. THE CARRIERS ARE ENCOURAGED WITHIN THE NEXT WEEK TO PROVIDE DOT WITH THEIR LIST OF PRIORITY GOVERNMENT ACTIONS AND THEIR SUGGESTED STRATEGY FOR ACHIEVING THEM.

3. AMONG THE SOLUTIONS DISCUSSED TODAY WHICH APPEAR TO HAVE SUPPORT FROM BOTH CARRIERS AND GOVERNMENT REPRESENTATIVES ARE A 1) FLOOR UNDER CHARTER RATES, 2) INCREASED NORTH ATLANTIC FARES OF BETWEEN 5 AND 8 PERCENT, 3) ROUTE EXCHANGES AND SUSPENSIONS BY U.S. CARRIERS, 4) CAPACITY AGREEMENTS WITH FOREIGN CARRIERS, 5) LIMITATIONS ON FIFTH AND SIXTH FREEDOM CARRIAGE, 6) ELIMINATION OF NON-COMPENSATORY FARES ORDERED BY FOREIGN GOVERNMENTS, 7) IMMEDIATE ACTION BY THE CAB ON PENDING ROUTE CASES, AND 8) POSSIBLE FURTHER FUEL COST ACTIONS. THE CARRIERS ALSO REQUESTED ACTION ON 1) DELAYING THE IMPLEMENTATION OF LOW-COST SCHEDULED SERVICES (SKY TRAIN), 2) ELIMINATION OF DUPLICATION ON SOME DOMESTIC ROUTES (I.E. HAWAII), 3) CAB ACTION ON PENDING PA DOMESTIC FARE INCREASES TO NON-CONTIGUOUS U.S. POINTS (HAWAII, PUERTO RICO, VIRGIN ISLANDS) AND 4) FAVORABLE CONSIDERATION OF POOLING AGREEMENTS. THE GOVERNMENT REPRESENTATIVES WERE NONCOMMITTAL ON THESE LAST FOUR ITEMS. MR. FLANIGAN ALSO STATED THAT THE DISCUSSION OF THESE PROPOSED ACTIONS SHOULD NOT BE TAKEN AS A COMMITMENT ON THE PART OF GOVERNMENT TO UNDERTAKE ANY SPECIFIC ACTIONS, BUT RATHER A WILLINGNESS TO SEEK ALTERNATIVES TO SUBSIDY.

4. IT WAS FELT GENERALLY AROUND THE TABLE THAT A NEW APPROACH TO US AVIATION POLICY WAS NECESSARY IN ORDER TO PROVIDE THE ENVIRONMENT FOR OUR NATIONAL CARRIERS TO OPERATE. THERE APPEARS TO BE CONSIDERABLE INTEREST ON THE PART OF DOT TO SEIZE THIS OPPORTUNITY TO EXAMINE LIMITED OFFICIAL USE

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THE CONTINUING VALIDITY OF THE BERMUDA PRINCIPLES AND OTHER POLICIES RELATING TO RATES, FARES, CAPACITY AND ROUTE STRUCTURE AND RELATED MATTERS. DOT HAS FOR EXAMPLE PROPOSED THAT WE NOT FARM OUT TO A CONTRACTOR THE PROPOSED POLICY STUDY, BUT INSTEAD CONDUCT IT THROUGH AN INTER-AGENCY TASK FORCE USING CONSULTANTS AS NECESSARY--A VIEW WE DO NOT SHARE. WHILE WE WILL GO AHEAD WITH THE STUDY, IT IS IMPORTANT THAT STATE RETAIN THE INITIATIVE IN CON-

TACTING FOREIGN GOVERNMENT AND AIRLINE REPRESENTATIVES
AS NECESSARY TO DETERMINE THE FEASIBILITY OF THE PROPOSED
ACTIONS. YOUR TALKS NEXT WEEK SHOULD BE EXPANDED AS
NECESSARY TO ENABLE US TO HAVE AN INFORMED REACTION TO THE
CARRIERS' PROPOSED LISTS OF ACTION WHEN YOU RETURN AND
DISCUSS THEM HERE DURING THE WEEK OF MAY 6. KISSINGER

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